SUPREME COURT, U. S.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967.

No. 697

OTHAL L. TURNER AND ON-THE-TOWN, INC., A GEORGIA CORPORATION D/B/A ATLANTA'S PLAYBOY CLUB, *Petitioner,*

vs.

HMH PUBLISHING CO. INC., A CORPORATION, AND PLAYBOY CLUBS INTERNATIONAL, INC., A CORPORATION, *Respondent.*

BRIEF FOR HMH PUBLISHING CO. INC., AND PLAYBOY CLUBS INTERNATIONAL, INC., IN OPPOSITION.

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OPINIONS BELOW.

The opinion of the Court of Appeals is reported at 380 F. 2d 224. The Trial Court's Opinion, Findings of Fact and Conclusions of Law, rendered after trial on the merits (R. 207-220),* is reported at 153 U. S. P. Q. 842; its earlier opinion granting a preliminary injunction is reported at 222 F. Supp. 145 (N. D. Ga., 1963).

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* "R." refers to the portions of the record presented for use in the Court of Appeals. "Petition" refers to the Petition for a Writ of Certiorari herein.

QUESTIONS PRESENTED.

The primary question here presented, and the only question essential to a determination of the merits of the Petition, is:

Whether the owner of a registered trademark and its licensee are entitled to enjoin a party who, with actual knowledge of their prior use, deliberately adopts the mark and causes immediate *actual* confusion among members of the public.

A question sought to be raised by the Petition but unnecessary to a determination is:

Whether the owner of a strong mark for a magazine is entitled to register it as a service mark based upon use by franchisees who, operating under strict controls, employ the mark to identify restaurant-night clubs which embody certain features of, and are closely identified with, the magazine.

STATUTES.

The Trade-Mark Act of 1946, 60 Stat. 429, 15 U. S. C. § 1053, *et seq.*, provides in relevant part:

Section 5 (15 U. S. C. § 1055):

"Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public."

Section 32 (15 U. S. C. § 1114):

"(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale,

distribution, or advertising of any goods or service on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; . . .

* * * * * *

shall be liable in a civil action by the registrant for the remedies hereinafter provided. . . .

* * * * * *

Section 45 (15 U. S. C. § 1127):

* * * * * *

"The term 'related company' means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used."

* * * * * *

STATEMENT.

Petitioners' statement recites various matters which are at odds with the findings of the courts below. The facts as established by the record may be stated briefly, as follows:

Plaintiff HMH Publishing Co. Inc. ("HMH") was organized in 1953 and has continuously published a monthly magazine under its registered trademark "Playboy" since November of that year. (R. 27, 28.) Certificate of Registration No. 600,018 was issued to HMH for the mark "Playboy" for magazines on December 28, 1954. (R. 29.)

In 1960 HMH granted to Playboy Clubs International, Inc. ("International"), a license to use and to franchise others to use certain of HMH's registered marks in connection with the operation of restaurant-night clubs which would embody concepts established and popularized by the magazine and which would be known as Playboy Clubs. (R. 131.) The first franchised Playboy Club opened in Chicago on February 29, 1960. (R. 144.) Since then the chain has grown to include clubs in 14 major cities in the United States, as well as Montreal, Jamaica and London. All of these establishments conform in respect to the nature and quality of their services to standards set and scrupulously enforced by HMH. (R. 133.)

Hugh M. Hefner, editor and publisher of *Playboy*, was and is the owner of 80% of the stock in HMH. (R. 134.) On February 29, 1960 the stock of International was owned in equal shares by Mr. Hefner, HMH, Victor Lownes, an officer in HMH, and Arnold Morton. (R. 133.) The stock in Chicago Playboy Club, Inc., the Chicago franchisee was initially owned 50% by Mr. Hefner and 25% each by Messrs.

Lownes and Morton. (R. 126) Since then HMH has acquired a controlling interest in International, and Chicago Playboy Club, Inc. has become International's wholly owned subsidiary. (R. 33, 134.)

International has sold hundreds of thousands of "Playboy Keys", symbols which permit access to all Clubs in the chain, to residents of every State in the Union. (R. 137, 183.) Keyholders who charge their purchases at the various clubs are billed across state lines from International's offices in Chicago. (Plaintiff's Exhibits 44-50.)

Each of plaintiff's franchised clubs prefaces its name with its geographical location as, for example, the "Chicago" Playboy Club or the "Miami" Playboy Club. (R. 170.) Each franchised Club has at all times featured a "Playmate Bar" (R. 156), thus utilizing another registered mark owned by HMH since 1954. (Plaintiff's Exhibits 4-7, 24-29; R. 52-4.)

The immediate success of plaintiffs' franchised Playboy Clubs attracted wide publicity. The front page headline of *Variety* for February 7, 1962 was "Playboy Clubs Hit Jackpot." *The Wall Street Journal* for March 22, 1962 ran the headline "World of Playboy: Magazine Key Clubs Thrive on Hefner's Formula." (Plaintiff's Group Exhibit 43.)

Defendant Othal L. Turner was and is the president and sole shareholder of the corporate defendant. In 1958 he purchased, through that corporation, an existing night club in Atlanta, Georgia known as The Anchorage. (R. 184-5.) In April 1962, after the establishment of plaintiffs' franchised Chicago, Miami, and New Orleans Playboy Clubs (R. 144), Mr. Turner registered "Atlanta's Playboy Club" and "Playmate" as tradenames under a Georgia Statute. (Defendant's Exhibit 1; R. 188.) A month or two thereafter he changed the name of The Anchorage to

Atlanta's Playboy Club (R. 196) and began to refer to one of its rooms as "The Playmate Lounge". (R. 195.) One of his newspaper advertisements (Plaintiffs' Exhibits 72) for Atlanta's Playboy Club depicts a young woman dressed in a costume closely resembling plaintiffs' famous Bunny costume. (Defendant's Exhibit 8; R. 217.) Mr. Turner and his managers received telephone calls from members of the public inquiring whether defendants' club was affiliated with plaintiffs. (R. 189-192.) Commencing with the announcement of the change of name of The Anchorage to Atlanta's Playboy Club, both plaintiffs began to receive letters inquiring as to any affiliation between defendants and plaintiffs and commenting disparagingly on defendants' operation. (Plaintiffs' Exhibit 32; Defendants' Exhibit 75; R. 64-65.) The Trial Court found that defendants' adoption of HMH's marks had caused actual confusion. (R. 217.)

In April, 1962, Mr. Turner knew of the existence of Playboy Magazine and the franchised Playboy Clubs. (R. 188.) Despite Mr. Turner's protestations that it did not occur to him that anyone had rights in the HMH marks (R. 188), the Trial Judge, who had the opportunity of observing Mr. Turner's demeanor on the stand, concluded that Petitioners' adoption of "Playboy" and Playmate" constituted willful infringement and passing off. (R. 218.)

The Court of Appeals fully confirmed all of the findings and conclusions entered by the Trial Court. (380 F. 2d at 227.)

ARGUMENT.

There is no conflict of decisions between the circuits, and no question presented rises to the level of importance required to warrant review by this Court.

Far from revealing a potential *cause celebre*, the facts disclose only an unimaginative attempt at commercial piracy which the courts below unhesitatingly held actionable.

Indeed, the questions sought to be raised by the Petition were almost academic at the time of trial. Petitioners' lease on the premises occupied by their club would have expired in June, 1964. Prior to such expiration, Mr. Turner, feeling that the area did not warrant his further efforts, sold the equipment and ceased operations. He did not sell the club as a going concern. (R. 186.) Mr. Turner told the trial judge, however, that at a different location in Atlanta he operates The Club Peachtree through another of his wholly owned corporations, and that, if permitted to do so, he would change the name of that establishment to the "Playboy Club." (R. 193-94.) It is difficult to see how "a vital question of public interest" can arise out of what for all practical purposes is a moot controversy.

The main thrust of the Petition goes to the validity of HMH's service mark registrations for "Playboy" in Class 100 (establishments featuring food, drink and entertainment). The courts below correctly held such registrations valid and HMH's service mark infringed, but their decisions may be sustained on alternative grounds, and questions of service mark registrability need not be reached.

Contrary to Petitioners' position, trademark protection is not limited in scope to use on the same class of goods mentioned in the application for registration.* It extends to any goods or services where unauthorized use is likely to cause confusion, mistake or deception. 15 U. S. C. Section 1114; *Baker* v. *Simmons Co.*, 307 F. 2d 458, 462 (1st Cir. 1962); *Pure Foods* v. *Minute Maid Corp.*, 214 F. 2d 792, 796 (5th Cir. 1954); *Admiral Corp.* v. *Penco, Inc.*, 203 F. 2d 517, 520 (2d Cir. 1953).

Direct competition between the parties is not a prerequisite to relief. The courts have long granted relief to magazine publishers against unauthorized uses of their marks on articles of trade or in connection with service businesses. *Esquire, Inc.* v. *Esquire Slipper Mfg. Co.*, 243 F. 2d 540, 544 (1st Cir. 1957) ("Esquire" on slippers); *Triangle Publications* v. *Rohrlich*, 167 F. 2d 969 (2d Cir. 1948) ("Miss Seventeen" on girdles); *Hanson* v. *Triangle Publications*, 163 F. 2d 74 (8th Cir. 1947) ("Seventeen" on dresses for teen-age girls): *Triangle Publications, Inc.* v. *Standard Plastic Products*, 241 F. Supp. 613 (E. D. Pa. 1965) ("Miss Seventeen" on luggage); *HMH Publishing Co. Inc.* v. *Playboy Records*, 161 F. Supp. 540, 543 (N. D. Ill. 1958) (Publisher of "Playboy" stated a claim for equitable relief against user of "Playboy" on phonograph records); *Time, Inc.* v. *Life Television Corp.*, 123 F. Supp. 470 (D. Minn. 1954) ("Life" on television sets); *Conde Nast Publications* v. *Vogue School of Fashion Modelling*, 105 F. Supp. 325 (S. D. N. Y. 1952) ("Vogue" for a school of fashion modelling); *Esquire, Inc.* v. *Maira*, 101 F. Supp. 398 (M. D. Pa. 1951) ("Esquire" for men's clothing store).

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* Petitioners would have so informed the Court had they had the candor to complete the quotation (Petition 10) which they extracted from *Faciane* v. *Starner*, 230 F. 2d 732, 738 (5th Cir. 1956). The missing portion of the passage quoted states: ". . . and to protection against such use as is likely to deceive or confuse."

A case factually in point is *Esquire, Inc.* v. *Esquire Bar*, 37 F. Supp. 875 (S.D. Fla. 1941), where injunctive relief was granted against a restaurant owner.

In most of the above cited cases relief was predicated upon the mere *likelihood* of confusion. In the case at bar there is no need for conjecture. *Actual* confusion was both proved and admitted. When Petitioners adopted the marks "Playboy" and "Playmate," *both* plaintiffs—the publisher, HMH, and the nightclub franchisor, International—began to receive letters of inquiry and protest from the customers. (Plaintiffs' Exhibit 32, Defendants' Exhibit 75; R. 64-5.) Mr. Turner acknowledged on the stand that he and his managers had received telephone calls asking whether the club was affiliated with those franchised by plaintiffs. (R. 189-92.)

The Court of Appeals stated the case succinctly (380 F. 2d at 228-9):

> "We agree with the trial court's conclusion that the fact that one mark deals with a magazine and the other with a night club is immaterial since the two are intermeshed in the public mind. To the public Playboy Magazine and the several Playboy Clubs are a single business enterprise."

Plaintiffs had prior rights. Petitioners' unauthorized adoption of HMH's marks caused immediate confusion. It follows that even if HMH had *never* registered "Playboy" as a service mark, petitioners' conduct would have been properly enjoined as infringement of HMH's registered mark for the magazine and of its common law service mark rights.

With respect to the validity of HMH's service mark registrations, it is Respondents' position that under Section 5 of the Lanham Act (15 U. S. C. § 1055), HMH acquired registrable rights through the activities of its controlled licensees. Such licensees were found to be "related com-

panies" within the meaning of the statute. 15 U. S. C. § 1127; 380 F. 2d at 229.

Petitioners on the other hand seek to raise a highly technical—and equally specious—defense. They contend that HMH could not obtain registrable rights in "Playboy" as a service mark for nightclubs because HMH itself had never used the mark in that business. In support of this contention are cited cases which recite the familiar but here inapposite maxim* that substantive trademark rights can only be acquired through use.

None of the judicial authorities cited by petitioners is in point. The fact is that there are *no* court cases which support petitioners' position on the issue sought to be raised, and thus there can be no conflict of decisions between the circuits.

The Patent Office cases involving the C. B. Donald Company** on which petitioners chiefly rely have been vigorously criticized.*** A more recent Patent Office decision, *In re Joseph Bancroft & Sons Co.*, 129 U. S. P. Q. 329 (Tm. Bd. 1961), holds that where an owner has made some use of a mark (although not a trademark use) prior to licensing, he may obtain registrable rights based upon the activities of his controlled licensee. The *Bancroft* decision is more consistent with the spirit of the Lanham Act than are the *Donald* cases, but even *Bancroft* has been viewed as too limited in its approach. One commentator has stated:

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* "The rationalization of the issues of the non-parallel trademark situations is of very little value as precedent." *Application of Helene Curtis Industries, Inc.*, 305 F. 2d 492, 494 (C. C. P. A., 1962).

** *Ex parte C. B. Donald Company*, 117 U. S. P. Q. 485 (C. P., 1958); *In re C. B. Donald Company*, 122 U. S. P. Q. 401 (C. P., 1959).

*** 4 Callman, *The Law of Unfair Competition and Trade-Marks*, Section 98.3(c), 146 n. 4.2 (2d ed. Supp. 1965); Derenberg, "The 11th Year of Administration of the Lanham Trademark Act of 1946." 48 T. M. R. 1037, 1064 (1958); Derenberg, "The 13th Year", 50 T. M. R. 773, 804 (1960).

> "... it would seem that as long as the mark is lawfully used by a licensee or related company on the date of filing, there would be no need to inquire whether the licensor himself had made some use of the trademark before the license agreement had been executed." Derenberg, "The 14th Year," 51 T. M. R. 777, 798 (1961).

Section 5 of the Lanham Act provides that use by a related Company inures to the benefit of the applicant for registration. 15 U. S. C., Section 1055. In the case at bar, the Court of Appeals has taken the position (380 F. 2d at 229) that the statute simply means what it says: one may acquire registrable rights through the activities of one's controlled licensee without having used the mark oneself prior to licensing.*

It is submitted that the view taken by the Court of Appeals is correct. To hold otherwise would contravene the express language of the statute. A contrary holding would also ignore the great number of cases, pertinent by analogy, in which the courts have long afforded protection to trademark owners whose marks are known to the public only through the activities of licensees. Among such owners are the Coca-Cola Company, manufacturer of syrup which its licensees bottle and vend to the consumer, and the manufacturers of yarn or fabrics whose products are used by garment makers. See, *inter alia, Coca-Cola Co.* v. *J. G. Butler & Sons,* 229 Fed. 224 (E. D. Ark. 1916); *Knight* v. *Milner,* 283 Fed. 816 (N. D. Ohio, 1922); *Alligator Company*

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* The Patent Office's own Rules of Practice in Trade-Mark Cases support this view. Rule 2.38 provides in part:

> "(a) If the first use, the date of which is required by paragraph (a) (1) (vii) or (viii) of § 2.33, was by a predecessor in title, or by a related company (sections 5 and 45 of the act [15 U. S. C. A. §§ 1055, 1127]), and such use inures to the benefit of the applicant, the date of such first use may be asserted with a statement that such first use was by the predecessor in title or by the related company as the case may be."

v. *Robert Bruce, Inc.*, 176 F. Supp. 377 (E. D. Pa. 1959); *Joseph Bancroft & Sons Co.* v. *Shelley Knitting Mills, Inc.*, 212 F. Supp. 715 (E. D. Pa. 1962); Note, "Valid Use of Trade Mark by Other Than Owner," 23 N. Y. U. L. Q. R. 482, 493-5 (1948).

In any event, this case does not require the Court to concern itself with a hypertechnical theory of registrability. Petitioners' flagrant unfair competition has rendered all such doctrinal niceties moot. Cf. *Triangle Publications, Inc.* v. *Standard Plastic Products*, 241 F. Supp. 613, 619-20 (E. D. Pa. 1965).

CONCLUSION.

For the foregoing reasons, the Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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